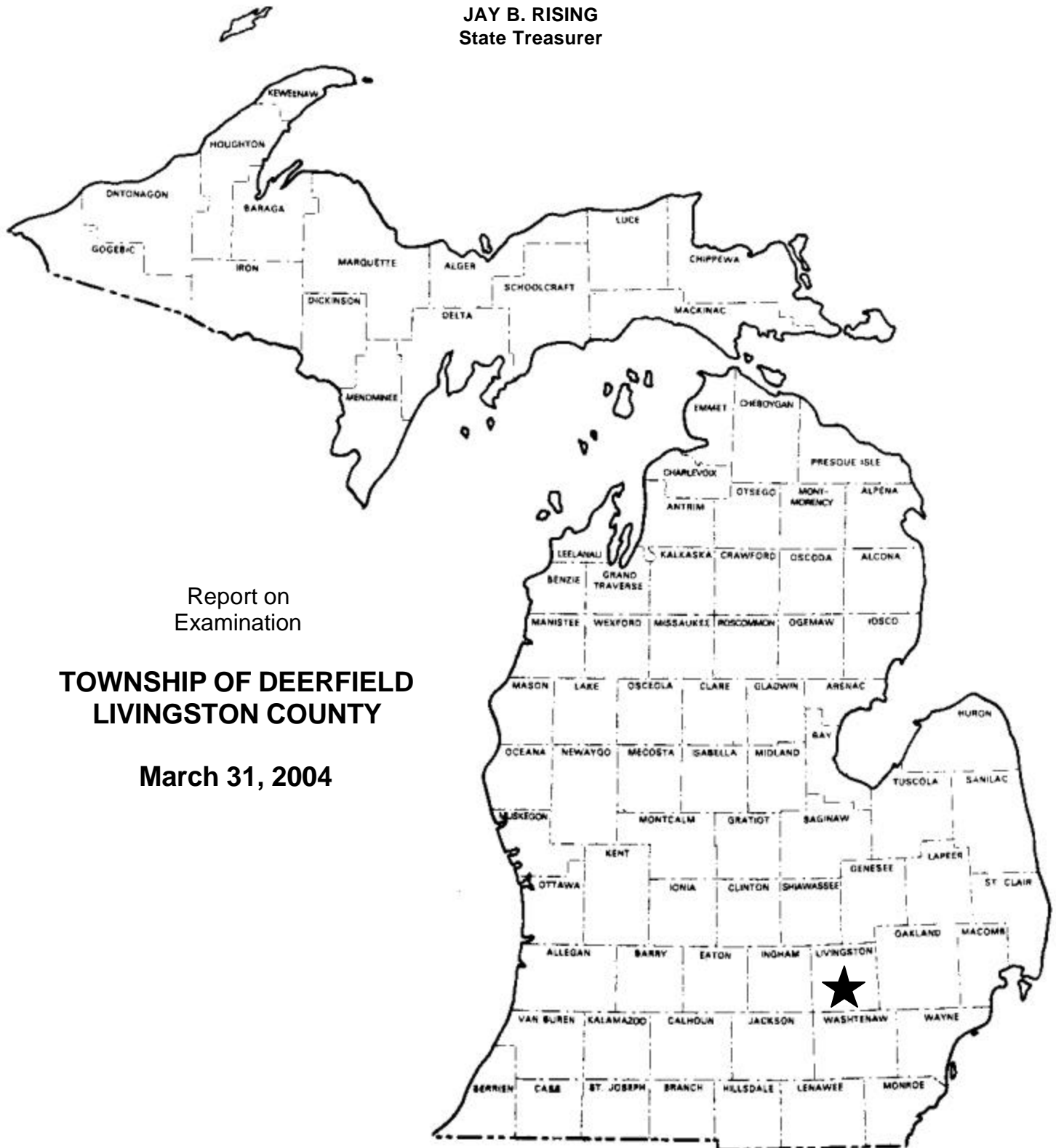


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

**TOWNSHIP OF DEERFIELD
LIVINGSTON COUNTY**

March 31, 2004

Local Audit and Finance Division
Bureau of Local Government Services

DEERFIELD TOWNSHIP

TOWNSHIP BOARD

Thomas Green
Supervisor

Nancy Laier
Clerk

Douglas Taylor
Treasurer

Cynthia Ambrose
Trustee

Alfred Mattioli
Trustee

TOWNSHIP POPULATION--2000
4,087

STATE EQUALIZED VALUATION--2003
\$198,183,621



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

June 23, 2004

Township Board
Deerfield Township
4492 Center Road
Linden, Michigan 48451

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying general purpose financial statements of Deerfield Township, Livingston County, Michigan, as of and for the year ended March 31, 2004, as listed in the Table of Contents. These general purpose financial statements are the responsibility of Deerfield Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Deerfield Township, Livingston County, as of March 31, 2004 and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2004, on our consideration of Deerfield Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Township of Deerfield (Livingston)

June 23, 2004

Page 2

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Deerfield Township, taken as a whole. The accompanying supplemental and related information in Exhibits F through J are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

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DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
COMBINED BALANCE SHEET--ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004

EXHIBIT A

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Long-Term Debt	General Fixed Asset	Total (Memorandum Only)
<u>ASSETS</u>									
Cash and Cash Equivalents	\$ 1,642	\$820,466	\$28,966	\$9,885	\$ 54,287	\$ 31			\$ 915,277
Investments	437,694					1,358			439,052
Receivables									
Accounts	320	13,076			14,475				27,871
Taxes--Delinquent	11,586	11,395							22,981
Special Assessments--Delinquent		22,910							22,910
Due From State	40,423								40,423
Due From Other Funds	1,000								1,000
Property, Plant and Equipment									
Net of Depreciation					1,799,190			\$4,795,893	6,595,083
Amount Available in Debt Service Funds							\$ 13,750		13,750
Amount to be Provided for									
Retirement of General Long-Term Debt							849,128		849,128
Total Assets	\$492,665	\$867,847	\$28,966	\$9,885	\$1,867,952	\$1,389	\$862,878	\$4,795,893	\$8,927,475
<u>LIABILITIES AND FUND EQUITY</u>									
Liabilities									
Accounts Payable	\$104,363	\$ 4,962	\$ 75	\$ 55					\$ 109,455
Contracts Payable		129,780							129,780
Due to Local Units of Government		96,892							96,892
Due to Other Funds						\$1,000			1,000
Accrued Liabilities	315								315
Undistributed Tax Collections						389			389
Performance Deposits Payable	15,500	13,655							29,155
Escrow Deposits Payable	8,947								8,947
Bonds Payable					\$ 125,881		\$ 13,750		139,631
Installment Loans Payable							849,128		849,128
Total Liabilities	129,125	245,289	75	55	125,881	1,389	862,878	\$ -	1,364,692
Fund Equity									
Investment in General Fixed Assets								4,795,893	4,795,893
Retained Earnings					1,742,071				1,742,071
Fund Balances									
Unreserved--Undesignated	363,540	622,558	28,891	9,830					1,024,819
Total Fund Equity	363,540	622,558	28,891	9,830	1,742,071	-	-	4,795,893	7,562,783
Total Liabilities and Fund Equity	\$492,665	\$867,847	\$28,966	\$9,885	\$1,867,952	\$1,389	\$862,878	\$4,795,893	\$8,927,475

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--ALL GOVERNMENTAL FUND TYPES
For the Year Ended March 31, 2004

EXHIBIT B

	GOVERNMENTAL FUND TYPES				Total Memorandum (Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues					
Taxes and Penalties	\$ 129,136	\$ 126,538			\$ 255,674
Licenses and Permits	20,803				20,803
State Grants	278,677				278,677
Contributions From Local Units	1,920				1,920
Charges for Services	21,330	1,475			22,805
Fines and Forfeits	1,800				1,800
Interest and Rentals	12,568	34,832	\$ 231	\$ 30	47,661
Special Assessments		249,570			249,570
Other	31,407	1,859			33,266
Total Revenues	497,641	414,274	231	30	912,176
Expenditures					
Current					
Legislative	13,366				13,366
General Government	245,764				245,764
Public Safety	60,176	46,175			106,351
Public Works	7,911	136,084			143,995
Health and Welfare	1,600				1,600
Recreation and Cultural				446	446
Other	33,904	2,254	75		36,233
Capital Outlay	114,790	190,942		3,260	308,992
Debt Service					
Principal	43,502	15,116	13,750		72,368
Interest	17,129	8,043	1,499		26,671
Total Expenditures	538,142	398,614	15,324	3,706	955,786
Excess of Revenues Over (Under) Expenditures	(40,501)	15,660	(15,093)	(3,676)	(43,610)
Other Financing Sources (Uses)					
Installment Loan Proceeds		450,000			450,000
Operating Transfers In	50,000			9,000	59,000
Operating Transfers (Out)	(9,000)	(50,000)			(59,000)
Total Other Financing Sources (Uses)	41,000	400,000	-	9,000	450,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	499	415,660	(15,093)	5,324	406,390
Fund Balance--April 1, 2003	363,041	206,898	43,984	4,506	618,429
Fund Balance--March 31, 2004	\$ 363,540	\$ 622,558	\$ 28,891	\$ 9,830	\$ 1,024,819

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL--GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended March 31, 2004

EXHIBIT C

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$125,000	\$129,136	\$ 4,136	\$120,000	\$126,538	\$ 6,538
Licenses and Permits	12,800	20,803	8,003			
State Grants	277,200	278,677	1,477			
Contributions From Local Units	1,920	1,920	-			
Charges for Services	21,400	21,330	(70)	1,500	1,475	(25)
Fines and Forfeits	-	1,800	1,800			
Interest and Rents	13,031	12,568	(463)	33,525	34,832	1,307
Special Assessments				250,631	249,570	(1,061)
Other	170,000	31,407	(138,593)		1,859	1,859
Total Revenues	621,351	497,641	(123,710)	405,656	414,274	8,618
Expenditures						
Legislative	13,500	13,366	134			
General Government	247,210	245,764	1,446			
Public Safety	86,300	60,176	26,124	47,180	46,175	1,005
Public Works	7,980	7,911	69	167,620	136,084	31,536
Health and Welfare	1,600	1,600	-			
Other	33,950	33,904	46	4,000	2,254	1,746
Capital Outlay	255,000	114,790	140,210	520,000	190,942	329,058
Debt Service						
Principal	43,502	43,502	-	20,296	15,116	5,180
Interest	17,631	17,129	502	10,799	8,043	2,756
Total Expenditures	706,673	538,142	168,531	769,895	398,614	371,281
Excess of Revenues Over (Under) Expenditures	(85,322)	(40,501)	44,821	(364,239)	15,660	379,899
Other Financing Sources (Uses)						
Installment Loan Proceeds				500,000	450,000	(50,000)
Operating Transfers In	50,000	50,000	-			-
Operating Transfers (Out)	(9,000)	(9,000)	-	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	41,000	41,000	-	450,000	400,000	(50,000)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(44,322)	499	44,821	85,761	415,660	329,899
Fund Balance--April 1, 2003	363,041	363,041	-	206,898	206,898	-
Fund Balance--March 31, 2004	\$318,719	\$363,540	\$ 44,821	\$292,659	\$622,558	\$ 329,899

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS--PROPRIETARY FUND TYPE
For the Year Ended March 31, 2004

EXHIBIT D

	<u>Enterprise Fund</u>
Operating Revenues	
Charges for Services	<u>\$ 177,830</u>
Total Operating Revenues	<u>177,830</u>
Operating Expenses	
Contractual Services	133,420
Depreciation	24,140
Administration Fees	<u>311</u>
Total Operating Expenses	<u>157,871</u>
Operating Income	<u>19,959</u>
Nonoperating Revenues (Expenses)	
Interest Earned on Investments	340
Interest Expense	<u>(6,985)</u>
Total Nonoperating Revenues (Expenses)	<u>(6,645)</u>
Net Income	13,314
Retained Earnings--April 1, 2003	<u>1,728,757</u>
Retained Earnings--March 31, 2004	<u><u>\$ 1,742,071</u></u>

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Year Ended March 31, 2004

EXHIBIT E

	<u>Enterprise Fund</u>
Cash Flows From Operating Activities	
Cash Received From Customers	\$ 176,722
Administrative Costs	(311)
Cash Payments to Suppliers for Goods and Services	<u>(133,495)</u>
Net Cash Provided by Operating Activities	<u>42,916</u>
Cash Flows From Capital and Related Financing Activities	
Bond Principal Payments	(36,788)
Interest Expense	<u>(6,985)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(43,773)</u>
Cash Flows From Investing Activities	
Sale or (Purchase) of Investments	35,000
Interest Earned on Investments	<u>340</u>
Net Cash Provided by Investing Activities	<u>35,340</u>
Net Increase (Decrease) in Cash and Cash Equivalents	34,483
Cash and Cash Equivalents at Beginning of Year	<u>19,804</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 54,287</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 19,959
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	24,140
Increase (Decrease) in Accounts Payable	(75)
(Increase) Decrease in Accounts Receivable	<u>(1,108)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 42,916</u></u>

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--REPORTING ENTITY

Deerfield Township is located in Livingston County and covers an area of 36 square miles. The township provides services to its residents in many areas including fire protection, community enrichment and development, and human services. Deerfield Township is a general law township governed by a 5-member board elected by the citizens of Deerfield Township. The township board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

JOINTLY GOVERNED ORGANIZATION

Hartland Deerfield Tyrone Fire Authority

The Hartland Deerfield Tyrone Fire Authority consists of the Townships of Hartland, Deerfield and Tyrone. The principal office of the Authority is located at 3205 Hartland Road, Hartland, Michigan. Financial records for the board are recorded and maintained on a contractual basis by the Hartland Township Director of Finance. The Fire Authority Board shall determine the amount of each township's financial contribution of the approved Authority budget for the subsequent fiscal year by applying a formula that combines weighted equivalents of State Equalized Value (SEV), Population from the last available census, and an average of the past three years of incident hours per year.

Deerfield Township's appropriation to the Hartland Deerfield Tyrone Fire Authority for the year ended March 31, 2004 was \$45,130.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Deerfield Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The accounts of the township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The financial activities of the township are recorded in separate funds and account groups categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The fund includes the general operating expenditures of the township. Revenues are primarily derived from property taxes, State grants and permits.

Special Revenue Funds

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, general fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Debt Service Funds

These funds are used to record revenues that are restricted for the payment of principal and interest on debt recorded in the general long-term debt account group. The Wolcott Mill Special Assessment Fund is the only debt service fund.

Capital Projects Funds

These funds are used to account for the acquisition or construction of major facilities other than those financed by proprietary fund operations. The Deerfield Hills Park Fund is the only capital project fund.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Sewer Fund is the only enterprise fund.

FIDUCIARY FUNDS

Trust and Agency Funds

These funds are used to account for the assets held by a governmental unit as an agent for individuals, private organizations, other governmental units and/or funds. The Current Tax Collection Fund is the only Agency Fund.

ACCOUNT GROUPS

General Fixed Asset Account Group

This account group is used to account for the township's fixed assets other than those accounted for in proprietary or trust funds. Public domain (infrastructure) general fixed assets, consisting of certain improvements other than buildings, are not capitalized.

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt that is not recorded in proprietary or trust funds.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of Deerfield Township conform to generally accepted accounting principles as applicable to governmental units.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The governmental fund types use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due.

Proprietary Funds

The proprietary fund types are accounted for on a cost-of-service or "capital maintenance" measurement focus, using the accrual basis of accounting. Revenues are recorded when they are measurable and earned, and expenses are recorded when the related liability is incurred. The government applies all applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in accounting and reporting for its proprietary operations.

Fiduciary Funds

The fiduciary funds are maintained on a cash basis, which is consistent with the accounting measurement objectives of the funds. Reporting this fund on a cash basis does not have an effect materially different from reporting it on the accrual or modified accrual basis as required by generally accepted accounting principles.

Budgets and Budgetary Accounting

Budgets are adopted by the township board for the general, special revenue and debt service funds. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The township board monitors and amends the budgets as necessary.

The budgeted revenues and expenditures for governmental fund types, as presented in Exhibit C, include any authorized amendments to the original budget as adopted.

Cash, Cash Equivalents and Investments

Investments are recorded at cost. Demand deposits and short-term investments with a maturity date of 3 months or less when acquired are considered to be cash equivalents.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest-Bearing Deposits

Interest-bearing deposits are recorded at cost. Interest earned is recorded as revenue when the investment matures or when credited by the financial institutions to the interest-bearing account.

Accounts Receivable

At March 31, 2004, the accounts receivable for the township were as follows:

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Purpose</u>
General	\$ 320	Miscellaneous Due From Others
Special Revenue		
Compliance Impact and Benefit	13,076	January - March 2004 Gravel Royalties
Enterprise		
Sewer	<u>14,475</u>	User Sewer Charges
Total	<u>\$ 27,871</u>	

Fixed Assets

Fixed assets of all funds are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their market value as of the donation date. Tangible assets, having a useful life in excess of one year and whose costs exceed a specific amount, are capitalized. Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group and are recorded as an expenditure in the fund purchasing the asset. Public domain (infrastructure) general fixed assets, consisting of certain improvements other than buildings, are not capitalized.

Depreciation of general fixed assets, which is not required by generally accepted accounting principles applicable to governmental units, is not provided.

Proprietary Fund Type Fixed Assets

All property, plant and equipment are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at the estimated fair value on the date donated. Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations over the estimated useful lives of the assets, using straight-line method. Property, plant, and equipment of proprietary funds have been presented, net of accumulated depreciation.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment are depreciated in the proprietary funds of the township using the straight-line method over the estimated useful lives as follows:

Sewage Disposal System	40 years
------------------------	----------

Property Taxes

The township property tax is levied on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st.

It is the township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of township operations. Payment from the county for the 2003 delinquent taxes, which it purchased subsequent to March 31, is recorded as delinquent taxes receivable in the General Fund and Municipal Road Fund.

The 2003 taxable value of Deerfield Township amounted to \$198,183,621, on which ad valorem taxes of .9889 mills, \$128,872, were levied for township operating purposes, and .9720 special voted mills, \$126,538, were levied for township road purposes. These taxes are recorded as revenue on township records in and for the fiscal year ended March 31, 2004.

Special Assessments

Special assessments are levied annually for fire authority and lake level maintenance and improvement purposes. The assessment is payable on or after December 1st.

It is the township's policy to recognize revenues in the current year when the current assessments are collected. Payment from the county for the 2003 delinquent assessments, which it purchased subsequent to March 31, is recorded as delinquent special assessments receivable in the special revenue funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Memorandum Only

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

NOTE C--BUDGETARY PROCEDURES

Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund and each Special Revenue Fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act.

The township's budget policy provides for the board to conduct a public budget hearing and to adopt and control the General Fund and Special Revenue Fund budgets to the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

NOTE D--CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The township has adopted an investment policy that includes all of the above types of investments in accordance with the requirements of Public Act 196 of 1997. The township's deposits are in accordance with statutory authority. The township board has designated three banks for the deposit of township funds.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS (Continued)

Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the township's cash deposits, are as follows:

<u>Deposits and Imprest Cash</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 217,104	\$ 217,104
Uninsured	698,073	721,507
Imprest Cash	<u>100</u>	<u></u>
Total Deposits and Imprest Cash	<u>\$ 915,277</u>	<u>\$ 938,611</u>

Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the township's investments, are as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Nonrisk-Categorized		
Public Funds Money Markets	<u>\$ 439,052</u>	<u>\$ 436,978</u>
Total Investments	<u>439,052</u>	<u>436,978</u>
Total Cash and Investments	<u>\$ 1,354,329</u>	<u>\$ 1,375,589</u>

The township has investments with First National Bank in Hartland for the government investment pooled funds. The nature of mutual funds, insurance annuities, bond funds and equity pools do not allow for risk-categorization, which is in accordance with GASB Statement No. 3. The risk and nonrisk-categorized investments are carried at cost, which is also the market value.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--FIXED ASSETS

A summary of changes in general fixed assets, as follows:

	Account Balances 04/01/03	Additions	Deductions	Account Balances 03/31/04
Land	\$ 3,244,441	\$ 100,000		\$3,344,441
Land Improvements	152,252			152,252
Park Land Improvements	65,118	3,260		68,378
Buildings	930,908	2,400		933,308
Construction Work in Progress	-	190,942		190,942
Office Equipment and Furniture	<u>99,800</u>	<u>12,390</u>	<u>\$ 5,618</u>	<u>106,572</u>
Investment in General Fixed Assets	<u>\$ 4,492,519</u>	<u>\$ 308,992</u>	<u>\$ 5,618</u>	<u>\$4,795,893</u>

A summary of proprietary fund type fixed assets at March 31, 2004, as follows:

	<u>Enterprise Fund</u>
Land	\$ 14,077
Sewage Disposal System	2,223,448
Less: Accumulated Depreciation	<u>(438,335)</u>
Net Fixed Assets	<u>\$ 1,799,190</u>

Depreciation expense was \$24,140 for the fiscal year ended March 31, 2004.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--LONG-TERM DEBT

The long-term debt of the township may be summarized, as follows:

<u>GENERAL LONG-TERM DEBT ACCOUNT GROUP</u>	<u>Balances 04/01/03</u>	<u>Additions (Reductions)</u>	<u>Balances 03/31/04</u>
Wolcott Mill 5.25% 1994 bonds for the purchase of Wolcott Mill, land and water rights to regulate lake level	\$ 27,500	\$ (13,750)	\$ 13,750
Installment Loan with First National Bank in Howell for a municipal building (Town Hall) (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell)	379,958	(36,478)	343,480
Installment Loan with First National Bank in Howell for a municipal building (Town Hall) (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell)	77,789	(7,025)	70,764
Installment Loan with First National Bank in Howell for a municipal building (Fire Hall) (Bernco Inc. assigned an installment purchase agreement to First National Bank in Howell)	<u>-</u>	<u>450,000 (15,116)</u>	<u>434,884</u>
Total General Long-Term Debt Account Group	<u>\$ 485,247</u>	<u>\$ 377,631</u>	<u>\$ 862,878</u>
<u>ENTERPRISE FUND</u>			
Sewage Disposal System #7 4 - 5.6% 1994 Refunding Bonds	\$ 41,020	\$ (17,580)	\$ 23,440
Sewage Disposal System Upgrade 3.7 - 4.5% 1999 Bonds	<u>121,648</u>	<u>(19,207)</u>	<u>102,441</u>
Total Enterprise Fund	<u>\$ 162,668</u>	<u>\$ (36,787)</u>	<u>\$ 125,881</u>
Total Long-Term Debt	<u>\$ 647,915</u>	<u>\$ 340,844</u>	<u>\$ 988,759</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--LONG-TERM DEBT (Continued)

The annual principal and interest requirements through maturity for all debt outstanding at March 31, 2004, are as follows:

Bonds Payable

Deerfield Township and Argentine Township in Genesee County purchased Wolcott Mill, land and water rights in 1994 to regulate water levels at a nearby lake. Deerfield Township has a 25% interest of \$131,250 in the total debt issue of \$525,000.

Date of Bond Agreement: March 30, 1994

Amount of Deerfield Township's Issue: \$131,250

The agreement bears interest at 5.25% semi-annually and is payable, as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/05	<u>\$ 13,750</u>	<u>\$ 756</u>	<u>\$ 14,506</u>
	<u>\$ 13,750</u>	<u>\$ 756</u>	<u>\$ 14,506</u>

Installment Loan Payable

Installment loan with First National Bank in Howell for a municipal building. (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell.)

Date of Loan: March 11, 2002

Amount of Loan: \$417,725

Interest Rate: 3.9%

The loan bears interest at 3.9% payable in 60 monthly installments of \$4,220.71 plus a balloon payment of \$228,603 in March 2007, as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/05	\$ 37,926	\$ 12,723	\$ 50,649
03/31/06	39,432	11,217	50,649
03/31/07	<u>266,122</u>	<u>8,908</u>	<u>275,030</u>
	<u>\$ 343,480</u>	<u>\$ 32,848</u>	<u>\$ 376,328</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--LONG-TERM DEBT (Continued)

Installment Loan Payable

Installment loan with First National Bank in Howell for a municipal building. (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell.)

Date of Loan: August 16, 2002

Amount of Loan: \$82,275

Interest Rate: 3.9%

The loan bears interest at 3.9% payable in 54 monthly installments of \$831.87 plus a balloon payment of \$49,423 in March 2007, as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/05	\$ 7,316	\$2,667	\$ 9,983
03/31/06	7,610	2,373	9,983
03/31/07	<u>55,838</u>	<u>1,903</u>	<u>57,741</u>
	<u>\$ 70,764</u>	<u>\$ 6,943</u>	<u>\$ 77,707</u>

Installment Loan Payable

Installment loan with First National Bank in Howell for a township fire hall building. (Bernco Inc. assigned an installment purchase agreement to First National Bank in Howell.)

Date of Loan: November 10, 2003

Amount of Loan: \$450,000

Interest Rate: 4.35%

The loan bears interest at 4.35% payable in 59 monthly installments of \$4,631.82 plus a balloon payment of \$253,999 in December 2008, as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/05	\$ 37,401	\$ 18,191	\$ 55,592
03/31/06	39,061	16,521	55,582
03/31/07	40,794	14,787	55,581
03/31/08	42,571	13,011	55,582
03/31/09	<u>275,057</u>	<u>6,735</u>	<u>281,792</u>
	<u>\$ 434,884</u>	<u>\$ 69,245</u>	<u>\$ 504,129</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--LONG-TERM DEBT (Continued)

Enterprise Fund

The township has a sewage disposal system in place for a portion of its properties. The township contracts with Argentine Township to handle fee collections and with Genesee County for maintenance of the system.

Sanitary Sewage Disposal System #7 Refunding Bonds

Deerfield Township and Argentine Township (Genesee County) entered into a Sanitary Sewage Disposal System #7 Refunding Bonds agreement with a total issue of \$775,000. Deerfield Township's share of the bonds is 23.44% or \$181,660.

Date of Issue: March 1, 1994

Interest Rate: 4 - 5.6%

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/05	<u>\$ 23,440</u>	<u>\$ 656</u>	<u>\$ 24,096</u>
	<u>\$ 23,440</u>	<u>\$ 656</u>	<u>\$ 24,096</u>

Sanitary Sewage Disposal System Upgrade Bonds

Deerfield Township and Argentine Township (Genesee County) entered into a Sanitary Sewage Disposal System Upgrade Bonds agreement with a total issue of \$675,000. Deerfield Township's share of the bonds is 25.61% or \$172,867.

Date of Issue: June 1, 1999

Interest Rate: 3.7 - 4.5%

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/05	\$ 19,208	\$ 4,418	\$ 23,626
03/31/06	19,207	3,630	22,837
03/31/07	19,208	2,824	22,032
03/31/08	19,208	1,998	21,206
03/31/09	<u>25,610</u>	<u>1,152</u>	<u>26,762</u>
	<u>\$ 102,441</u>	<u>\$ 14,022</u>	<u>\$ 116,463</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--POST-EMPLOYMENT BENEFITS

The township does not offer post-employment benefits to its employees or elected officials.

NOTE H--INTERFUND RECEIVABLES AND PAYABLES

The amounts of the interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>\$ 1,000</u>	Trust and Agency	<u>\$ 1,000</u>
Total	<u><u>\$ 1,000</u></u>		<u><u>\$ 1,000</u></u>

NOTE I--RISK MANAGEMENT

The township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The township continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

NOTE J--COMMITMENTS

As of March 31, 2004, the township has a commitment for the completion of the township fire hall building in the amount of \$283,183. The building was 41% completed at March 31, 2004 and will be paid for in cash from the Fire Fund during the fiscal year ended March 31, 2005.

NOTE K--SUBSEQUENT EVENT

Cell Phone Tower Construction and Transfer of Tower Ownership--The township (hereinafter referred to as "Landlord") and AT&T Wireless (hereinafter referred to as "Tenant") entered into a lease agreement on April 18, 2003 for the purpose of installing, operating and maintaining a communications facility and other improvements. The agreement provided, in part, for the Tenant to construct a two hundred fifty foot cell phone tower, fencing and certain other improvements ("Installations") and to transfer ownership interest in the Installations to the Landlord upon completion of the construction of the Installations. AT&T Wireless did not transfer ownership interest in the Tower Installations to Deerfield Township until May 27, 2004.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2004

EXHIBIT F

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes and Penalties			
Current Property Taxes	\$125,000	\$128,872	\$ 3,872
Payments in-Lieu-of Taxes	-	264	264
Total Taxes and Penalties	125,000	129,136	4,136
Licenses and Permits			
Cable Franchise Fees	5,100	14,503	9,403
Land Use Permits	6,000	6,300	300
Special Use Permits	1,700	-	(1,700)
Total Licenses and Permits	12,800	20,803	8,003
State Grants			
Revenue Sharing	277,200	278,677	1,477
Total State Grants	277,200	278,677	1,477
Contributions From Local Units			
Livingston County--Solid Waste Management	1,920	1,920	-
Total Contributions From Local Units	1,920	1,920	-
Charges for Services			
Fire Runs	2,400	2,415	15
Zoning Fees	12,500	12,458	(42)
Zoning Board of Appeals	3,000	3,150	150
Administration Fees--Special Assessments	1,900	1,574	(326)
Copies and Printed Materials Sales	1,600	1,733	133
Total Charges for Services	21,400	21,330	(70)
Fines and Forfeits			
Bond Forfeitures	-	1,800	1,800
Total Fines and Forfeits	-	1,800	1,800
Interest and Rents			
Interest Earned	6,100	5,686	(414)
Rent	6,931	6,882	(49)
Total Interest and Rents	13,031	12,568	(463)
Other Revenues			
Reimbursements	-	1,291	1,291
Legal Settlement Proceeds	170,000	30,116	(139,884)
Total Other Revenues	170,000	31,407	(138,593)
Total Revenues	621,351	497,641	(123,710)
Other Financing Sources			
Operating Transfers In			
Compliance, Impact and Benefit Fund	50,000	50,000	-
Total Other Financing Sources	50,000	50,000	-
Total Revenues and Other Financing Sources	\$671,351	\$547,641	\$ (123,710)

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2004

EXHIBIT G

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Legislative			
Township Board	\$ 13,500	\$ 13,366	\$ 134
Total Legislative	13,500	13,366	134
General Government			
Supervisor	19,000	19,000	-
Elections	300	257	43
Assessor	40,210	40,208	2
Attorney	22,500	22,100	400
Other Legal	3,000	2,725	275
Clerk	35,000	34,867	133
Board of Review	2,100	2,080	20
Other General Services--Administration	36,000	35,551	449
Treasurer	44,300	44,276	24
Building and Grounds	37,600	37,560	40
Audit Services	7,200	7,140	60
Total General Government	247,210	245,764	1,446
Public Safety			
Fire	50,000	25,178	24,822
Planning Commission	18,000	17,895	105
ZBA Department	3,300	3,201	99
Zoning Administration Department	15,000	13,902	1,098
Total Public Safety	86,300	60,176	26,124
Public Works			
Drain-at-Large Assessments	400	332	68
Refuse Collection and Disposal	7,580	7,579	1
Total Public Works	7,980	7,911	69
Health and Welfare			
Community Action Programs	1,600	1,600	-
Total Health and Welfare	1,600	1,600	-
Other			
Insurance, Bonds and FICA	33,950	33,904	46
Total Other	33,950	33,904	46

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2004

EXHIBIT G
(CONTINUED)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Capital Outlay			
Land	240,000	100,000	140,000
Land Improvements	2,400	2,400	-
Office Equipment and Furniture	12,600	12,390	210
Total Capital Outlay	255,000	114,790	140,210
Debt Service			
Principal	43,502	43,502	-
Interest	17,631	17,129	502
Total Debt Service	61,133	60,631	502
Total Expenditures	706,673	538,142	168,531
Other Financing Uses			
Operating Transfers (Out)			
Deerfield Hills Park Fund	9,000	9,000	-
Total Other Financing Uses	9,000	9,000	-
Total Expenditures and Other Financing Uses	\$ 715,673	\$ 547,142	\$ 168,531

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
March 31, 2004

EXHIBIT H

	Municipal Road	Fire	Hidden Lake Special Assessment	Lobdell Lake Special Assessment	Ryan Lake Special Assessment	Katrine Hills Special Assessment	Building Department	Compliance Impact & Benefit	Total
<u>ASSETS</u>									
Cash	\$102,108	\$531,150	\$4,972	\$20,079	\$13,643	\$1,671	\$17,104	\$129,739	\$820,466
Accounts Receivable								13,076	13,076
Taxes Receivable--Delinquent	11,395								11,395
Special Assessments Receivable--Delinquent		20,790		1,200	800	120			22,910
Total Assets	<u>\$113,503</u>	<u>\$551,940</u>	<u>\$4,972</u>	<u>\$21,279</u>	<u>\$14,443</u>	<u>\$1,791</u>	<u>\$17,104</u>	<u>\$142,815</u>	<u>\$867,847</u>
<u>LIABILITIES AND FUND EQUITY</u>									
Liabilities									
Accounts Payable		\$ 4,632	\$ 75	\$ 75	\$ 75	\$ 75	\$ 30		\$ 4,962
Contract Payable		129,780							129,780
Due to Local Units of Government								\$ 96,892	96,892
Performance Deposits Payable							13,655		13,655
Total Liabilities	<u>\$ -</u>	<u>\$134,412</u>	<u>75</u>	<u>75</u>	<u>75</u>	<u>75</u>	<u>13,685</u>	<u>96,892</u>	<u>245,289</u>
Fund Equity									
Fund Balance									
Unreserved--Undesignated	113,503	417,528	4,897	21,204	14,368	1,716	3,419	45,923	622,558
Total Fund Equity	<u>113,503</u>	<u>417,528</u>	<u>4,897</u>	<u>21,204</u>	<u>14,368</u>	<u>1,716</u>	<u>3,419</u>	<u>45,923</u>	<u>622,558</u>
Total Liabilities and Fund Equity	<u>\$113,503</u>	<u>\$551,940</u>	<u>\$4,972</u>	<u>\$21,279</u>	<u>\$14,443</u>	<u>\$1,791</u>	<u>\$17,104</u>	<u>\$142,815</u>	<u>\$867,847</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES--SPECIAL REVENUE FUNDS
For the Year Ended March 31, 2004

EXHIBIT I

	Municipal Road	Fire	Hidden Lake Special Assessment	Lobdell Lake Special Assessment	Ryan Lake Special Assessment	Katrine Hills Special Assessment	Building Department	Compliance Impact and Benefit	Total
Revenues									
Taxes	\$126,538								\$126,538
Charges for Services							\$ 1,475		1,475
Interest and Rents	369	\$ 1,180	\$ 8	\$ 130	\$ 33	\$ 3	95	\$ 33,014	34,832
Special Assessments		226,620	3,250	8,500	8,800	2,400			249,570
Other								1,859	1,859
Total Revenues	126,907	227,800	3,258	8,630	8,833	2,403	1,570	34,873	414,274
Expenditures									
Public Safety		46,171					4		46,175
Public Works	107,217		2,746	14,833	8,735	2,553			136,084
Other								2,254	2,254
Capital Outlay		190,942							190,942
Debt Service									
Principal		15,116							15,116
Interest		8,043							8,043
Total Expenditures	107,217	260,272	2,746	14,833	8,735	2,553	4	2,254	398,614
Excess of Revenues Over (Under) Expenditures	19,690	(32,472)	512	(6,203)	98	(150)	1,566	32,619	15,660
Other Financing Sources (Uses)									
Loan Proceeds		450,000							450,000
Operating Transfers (Out)								(50,000)	(50,000)
Total Other Financing Sources (Uses)	-	450,000	-	-	-	-	-	(50,000)	400,000
Excess of Revenue and Other Sources Over Expenditures	19,690	417,528	512	(6,203)	98	(150)	1,566	(17,381)	415,660
Fund Balance--April 1, 2003	93,813	-	4,385	27,407	14,270	1,866	1,853	63,304	206,898
Fund Balance--March 31, 2004	\$113,503	\$417,528	\$4,897	\$21,204	\$14,368	\$ 1,716	\$ 3,419	\$ 45,923	\$622,558

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended March 31, 2004**

EXHIBIT J

	Balance 04/01/03	Additions	Deductions	Balance 03/31/04
<u>TRUST AND AGENCY FUND</u>				
Assets				
Cash	\$3,614	\$2,407,201	\$2,410,784	\$ 31
Investments	1,325	2,409,945	2,409,912	1,358
Total Assets	<u>\$4,939</u>	<u>\$4,817,146</u>	<u>\$4,820,696</u>	<u>\$ 1,389</u>
Liabilities				
Due to Other Funds	\$3,477	\$ 745	\$ 3,222	\$ 1,000
Undistributed Tax Collections	1,462	2,390,221	2,391,294	389
Total Liabilities	<u>\$4,939</u>	<u>\$2,390,966</u>	<u>\$2,394,516</u>	<u>\$ 1,389</u>



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

June 23, 2004

Township Board
Deerfield Township
4492 Center Road
Linden, Michigan 48451

RE: Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Board Members:

We have audited the general purpose financial statements of Deerfield Township as of and for the year ended March 31, 2004, and have issued our report thereon dated June 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Deerfield Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Deerfield Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting, which we have reported to management of

Deerfield Township as described in the accompanying Report of Comments and Recommendations.

This report is intended solely for the information of the township board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

COMMENTS AND RECOMMENDATIONS

OTHER REPORTABLE CONDITIONS

Although our study and evaluation of internal controls disclosed no condition that we believe to be a material weakness, our audit disclosed a reportable condition which we wish to point out for consideration by the management of Deerfield Township.

INTERNAL CONTROL WEAKNESSES

Treasurer, Supervisor and Clerk--Cell Phone Tower Value

Condition: The township (hereinafter referred to as “Landlord”) and AT&T Wireless (hereinafter referred to as “Tenant”) entered into a lease agreement on April 18, 2003 for the purpose of installing, operating and maintaining a communications facility and other improvements. The agreement provided, in part, for the Tenant to construct a two hundred fifty foot cell phone tower, fencing and certain other improvements (“Installations”) and to transfer ownership interest in the Installations to the Landlord upon completion of the construction of the Installations. AT&T Wireless did not transfer ownership interest in the Tower Installations to Deerfield Township until May 27, 2004. We found that as of June 23, 2004 the township had not determined a fair market value for the tower installations.

Criteria: The Michigan Department of Treasury Uniform Accounting Procedures Manual states, "Valuation of capital assets is at cost. Donations are recorded at their fair value at the time of receipt."

Recommendation: We recommend that the township determine a fair market value for the cell phone tower, and the treasurer's office record the tower in the fixed assets records during the fiscal year ended March 31, 2005.

OTHER MATTERS

GASB No. 34 Implementation Information

The Governmental Accounting Standards Board has issued Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” which will significantly change the way local governments are required to prepare financial reports and infrastructure information. We take this opportunity to inform you that Deerfield Township is required to implement the new reporting model for the fiscal year ending March 31, 2005.